CEE Weekly
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20 January 2017

Raiffeisen RESEARCH

Market snapshot

	curr.*	Mar-17	Jun-17	Sep-17
Poland				
EUR/PLN	4.371	4.40	4.45	4.40
Key rate	1.50	1.50	1.50	1.50
10y bond	3.7	3.5	3.6	3.7
Hungary				
EUR/HUF	308.8	310	315	310
Key rate	0.90	0.90	0.90	0.90
10y bond	3.6	3.2	3.2	3.3
Czech Republic				
EUR/CZK	27.02	27.0	27.0	27.0
Key rate	0.05	0.05	0.05	0.05
10y bond	0.4	0.6	0.6	0.5
Romania				
EUR/RON	4.497	4.45	4.50	4.45
Key rate	1.75	1.75	1.75	1.75
10y bond	3.4	3.3	3.4	3.5
Croatia				
EUR/HRK	7.520	7.55	7.47	7.50
Key rate	2.50	2.50	2.50	2.50
10y bond	3.0	3.1	3.1	3.2
Russia				
USD/RUB	59.86	63.0	62.0	60.0
Key rate	10.00	9.50	9.00	8.50
10y bond	8.1	8.9	8.8	8.7
Turkey				
USD/TRY	3.832	3.80	3.80	3.70
Key rate	8.00	8.50	8.50	8.50
10y bond	11.2	11.6	11.8	11.6
EUR/USD	1.061	1.04	1.02	1.02

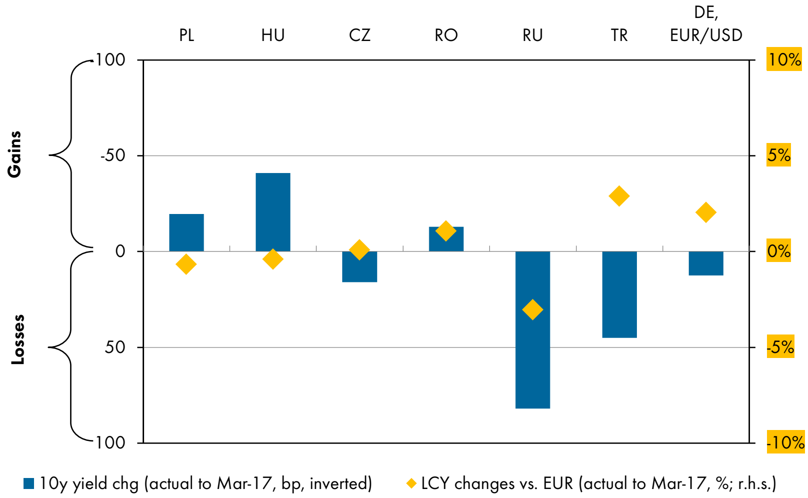
** prices as of 19 January 2017, 11:59 p.m. CET*
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

Highlights

While globally all eyes are on the US and on speculations about Trumponomics, in the CEE region FX markets took centre stage. Although there is some confusion whether recent CBR/MinFin statements are more a verbal or the preparation of a rule-based intervention it seems that Russian policymakers are confident that oil markets have stabilized, offering some leeway to limit further "oil-driven" RUB appreciation. With regards to the EUR/CZK cap market bets on a frontloaded CZKexit are vivid, while the CNB tries to prepare markets for several unknowns and limited one-way bets (e.g. CZKexit delay, temporary CZK weakness; see Focus on, p. 2). Due to a decent premium, Turkey managed to lure back investors to its debt market last Wednesday via a 10y FCY bond worth USD 2 bn. The orderbook was three times the issue size bringing down the yield to 6.15%. Although the issue was more costly compared to last October's sale it makes sense to tap international markets before core market yields might pick-up on further Fed tightening. A potential rating downgrade by Fitch next Friday might have been another trigger to rush. In light of numerous CEE debt managers' announcements regarding near-term Eurobond issuance plans, finally, it might have been a clever move to come first and save first. However, the TCMB has the chance to arrange for an adverse rating eventuality when it meets next Wednesday. In our view, only conventional rate hikes should have the potential to stabilise lira markets. Despite recent backdoor policy measures (e.g. cancelling 1w repo auction, FX swaps etc.), TRY erased earlier gains (s. Focus on, p. 3). Meanwhile, Turkish government bonds witnessed outflows of USD 0.478 bn according to TCMB data in the week until 13 January. With the Bloomberg consensus calling for 75bp hike to the o/n lending rate, our scenario of a half-hearted hike of the 1w repo and the o/n lending rate by 50bp each would be just one of many possible outcomes.

Financial analysts: Gunter Deuber, Stephan Imre, RBI Vienna

Expected changes from today until March 2017



Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

Content

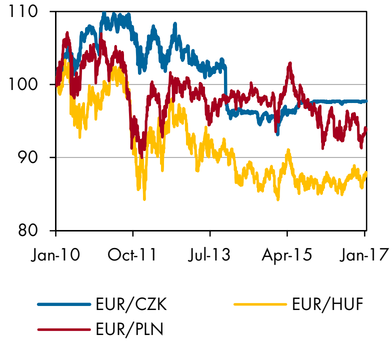
Data highlights upcoming week

Date	Indicator	Period	Forecast	High	Mean	Low	Previous
23-Jan	RU: Industrial output, % yoy	Dec	n.a.	3.4	1.6	-0.5	2.7
24-Jan	TR: Key rate, %	Jan	8.50	9.00	8.50	8.00	8.00
24-Jan	HU: Key rate, %	Jan	0.90	0.90	0.90	0.90	0.90
25-Jan	PL: Unemployment rate, % yoy	Dec	8.3	8.4	8.3	8.3	8.2
26-Jan	UA: Key rate, %	Jan	14.00	14.00	14.00	13.00	14.00

Source: Bloomberg, RBI/Raiffeisen RESEARCH

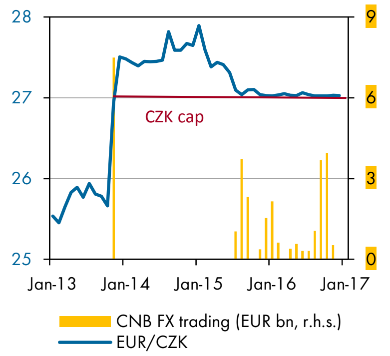
Focus on: Czech koruna – Rising inflation spurs bets on FX cap abandoning

CZK in peer comparison*



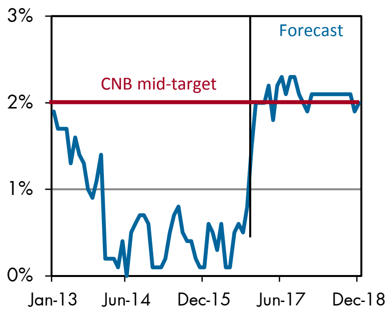
** indexed chart: January 2010 = 100*
Source: Thomson Reuters, Raiffeisen RESEARCH-

Interventions saw recent rise



Source: CNB, Thomson Reuters, RBI/Raiffeisen RESEARCH

Annual CPI



Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

With the Czech CPI headline rate having reached 2% yoy in December, i.e. the mind-point of the Czech National Bank (CNB) target range, market speculation on the abandoning of the EUR/CZK 27.0 cap intensified substantially in recent weeks. Moreover, some market participants are betting on certain changes in the CNB stance when recently announced personal changes (as of May) will be effective. Meanwhile, CNB FX reserves increased to above EUR 80 bn (47% of GDP), which compares with some EUR 35 bn before the start of active FX market interventions in November 2013.

First of all it has to be stressed that the inflation development and its outlook is the key variable when anticipating the CNB-exit from the FX (weakening) regime. That said the most recent CPI reading at 2% was considered by markets as a potential game changer to the CNB calculus. By a rule of thumb, a 65bp upside surprise to the headline inflation rate may translate into a potential need for CZK appreciation some 6 months earlier-than-expected previously. However, the CNB clearly stated that it would not exit from the current FX regime before Q2 2017. This commitment, which is often called the "hard commitment", cannot be smashed without a noteworthy loss of credibility. In our base case scenario we expect that the year-on-year consumer price inflation will be peaking in March at around 2.2%. But with the words of the CNB governor: "after Q1 anything can happen".

Taking the current inflation development and the inflation expectations as the basis, by April the more hawkish members of the CNB may have sufficient arguments for an exit from the current FX commitment. However, more dovish members should remain cautious given the risk of missing the inflation target over the coming months as too much of CZK appreciation might easily lead to inflation below 1% already in H2 2017 again. Therefore, we stick to our forecast that the CNB will most likely exit the current regime only in H2 2017, when there would be more clarity with regards to the (domestically driven) price growth outlook. Hence, from an economic point of view there would be no need for a quick response following the recent upside in headline inflation in the Czech Republic and the euro area. Moreover, from a market positioning perspective we would not rule out that current (excessive) positioning for frontloaded and significant CZK gains might be partially scaled back in case swift CZK exit gains are not materializing in H1 2017. Furthermore, parliamentary elections are scheduled in the Czech Republic for autumn 2017 and the CNB might therefore even wait until Q4 with the abandoning of the FX cap. Additionally, we may see some taper talk emerging in the euro area later in H2 2017, which should be also more supportive for an FX cap abolishment and the CNB goal of having not too much post-exit appreciation pressure. An ECB taper talk scenario would definitely imply less intrinsic EUR weakness, some further yield curve steepening in the euro area and hence less upside of CZK vs. the EUR. Nevertheless we have to stress: Despite all political and external factors the inflation is likely to remain the key variable with January data (to be published on 10 February) possibly being decisive for further CZK market pricing and CNB considerations.

What can be expected after the exit? The majority of market participants are expecting a decent CZK appreciation, while we see a fair chance that CZK will also be influenced by the CNB even after the current FX cap abandoning. As the market is overbought in CZK due to high speculative positioning market players might have difficulties in closing their (current) long CZK positions once the FX regime is abandoned. For example, since the beginning of CNB interventions the holdings of Czech government bonds by non-residents increased by CZK 240 bn to more than CZK 400 bn i.e. above 30% of outstanding CZK Czech government bonds. Such an increase is exceeding the real yearly demand for CZK if represented for example by the trade balance - which we estimate around CZK 190 bn for 2017. In case of significant CZK weakening, driven by the unwinding of massive speculative positions, the CNB might at some point even start buying CZK and selling the accumulated FX reserves. Then again for some short period of time (5-10 days after the FX regime abandoning) it is well possible that the CNB will not interfere on the market at all to assess CZK movements. But according to recent wording by the Governor Rusnok the CNB would probably act in case of more disruptive FX movements of more than 10%. As an additional tool influencing exchange rate movements we see a risk that the CNB might introduce negative interest rates before the envisaged FX cap exit (possibly on new capital inflows or some kind of proxy) which would effectively lead to negative interest rates on the market (i.e. well beyond short-tenors on the money market).

Financial analyst: Wolfgang Ernst (+43 1 71707 1500), CEFA, RBI Vienna

Turkish lira – Fundamentally oversold, but limited rebound potential

Turkey has seen tremendous shocks over the recent months. The GDP growth rate has contracted strongly by 1.8% yoy during the third quarter - the first negative rate since Q3 2009. The sharp contraction in Q3 led us to revise our full-year growth estimates for both 2016 and 2017 down to around 2%, which also reflects the intensified external headwinds. The leading economic indicators do not hint at a v-shaped rebound either.

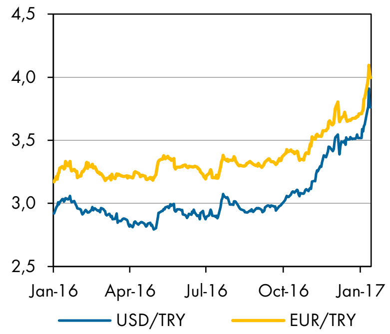
The slowing economy and the weaker lira have increased the likelihood of a marked deterioration in bank asset quality. Any additional lira depreciation would further weaken corporate balance sheets and jeopardise financial stability, given corporates' large open FX positions. Given the central bank's limited FX reserves, any intensification of risk aversion against Turkish assets would make it very difficult for the Turkish central bank to avoid substantial interest rate hikes. As the lira has lost about one-fifth of its value against the USD over the past year, the cumulative depreciation effect could add more than 2 percentage points to headline inflation over the next 12 months, curbing the monetary scope even further.

Despite the already seen significant lira depreciation, the capital outflows and the large currency mismatch of non-financial corporate credit risks the Turkish Central Bank (TCMB) has decided to keep its interest rates unchanged at its December key rate setting meeting. Beforehand it had raised the key rate at the November meeting (benchmark repurchase rate by 50bp to 8%, overnight lending rate by 25bp to 8.5%, while leaving the overnight borrowing rate unchanged at 7.25%). Now, following the latest TRY sell-off in early 2017 the Turkish Central Bank reacted with repeated liquidity tightening measures. It first limited commercial bank borrowing on the interbank market within the TCMB to TRY 22 bn and reduced reserve requirement ratios for FX denominated liabilities by 50bp across the board providing commercial banks with additional FX liquidity. Then in a second step the TCMB halved the interbank money market borrowing to TRY 11 bn. But these measures are merely capable of easing some of the most severe short-term depreciation pressures as the TCMB lacks sufficient FX reserves to fight the lira depreciation. That said the overall depreciation trend is unlikely to be stopped with these measures. For a more sustainable support the TCMB will in our view have to return towards conventional interest rate hikes to restore some market confidence. With support via a key rate hike we would then project a stabilization of the lira near current already elevated levels. The next (regular) chance for such an increase in interest rates is at the monetary council meeting on 24 January. In our view the TCMB will have to show its ability and willingness to keep an independent monetary policy, thus reacting to the recent events in order to regain investor confidence. Taking this into consideration we would expect the TCMB to increase the interest rate during the course of Q1 2017 until we see stabilization of the lira. Overall, however, the sum of TRY negative topics should prevent any noteworthy lira appreciation.

Taking a fundamental view of the Turkish lira and using our long-term relative PPP model we continue to see a significant oversold condition for the Turkish lira given the depreciation trend witnessed over the past months. Then again such an oversold condition does not indicate that we are in for any significant rebound of the lira in the coming months, but rather should see stabilization at these oversold levels (for comparison see the movement in USD/TRY in early 2000 and the following years). That said we would project to see a volatile sideways movement in USD/TRY over the coming months at fundamentally elevated levels around 3.50-4.00 with an expected sideways movement for the remainder of 2017. Elevated inflation over the coming months should then lead to a PPP model convergence of elevated USD/TRY and CPI difference between the US and Turkey (see our PPP chart). Despite our expectation of a proper TMCB response via key rate hikes there remains significant uncertainty especially from the political side and given that we continue to witness negative external implications (US rate hikes, rising energy prices etc.). The high volatility increases uncertainty around our forecasts as any responses would have significant effects on the lira. In case of political interference on the TMCB and/or other politically motivated obstacles the depreciation trend of the lira could even continue towards levels of 4.0 to the USD. Additionally it remains to be seen if the rating agencies will react to the already seen events, thus downgrading Turkey's credit rating to junk – a step that would then translate into more short-term lira depreciation pressure.

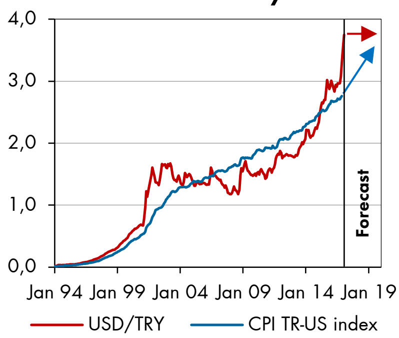
Financial analyst: Wolfgang Ernst (+43 1 71707 1500), CEFA, RBI Vienna

Acceleration of TRY sell-off



Source: Thomson Reuters, Raiffeisen RESEARCH-

TRY in oversold territory



Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

Data calendar and country coverage

This week, previous week: key data releases

Indicator	Period	Actual	Forecast	Previous
Friday 13 January				
PL: C/A balance, EUR mn	Nov	-427	-26.0	-393
PL: Trade balance, EUR mn	Nov	102.0	174.0	30.0
PL: CPI, % yoy	Dec	0.8	n.a	0.8
RO: C/A balance, EUR mn	Nov	-3441	n.a	-2919
Monday 16 January				
HR: CPI, % yoy	Dec	0.2	-0.2	-0.2
RU: Official reserve assets, USD bn	Nov	380.5	n.a.	385.3
BY: Industrial output, % yoy	Dec	5.1	-1.5	5.1
Tuesday 17 January				
SI: Unemployment rate, % yoy	Nov	10.4	n.a.	10.5
RU: C/A balance, USD mn	Q4	7800	n.a.	404
Wednesday 18 January				
SK: CPI, % yoy	Dec	0.2	n.a.	-0.2
PL: Average Gross Wages, % yoy	Dec	2.7	3.8	4.0
PL: Employment rate, % yoy	Dec	3.1	3.0	3.1
Thursday 19 January				
PL: Industrial output, % yoy	Dec	2.3	0.9	3.3
PL: Retail sales, % yoy	Dec	6.4	7.5	6.6
Friday 20 January				
HU: Average gross wages, % yoy	Nov	8.2	6.0	5.4
RU: Budget balance, RUB bn	Dec	-2967	n.a.	-1788

Indicator	Period	Forecast	High	Mean	Low	Previous
Friday 20 January						
UA: Retail sales, % yoy	Dec	n.a.	n.a.	n.a.	n.a.	3.7
Monday 23 January						
HR: Unemployment rate, % yoy	Dec	n.a.	n.a.	n.a.	n.a.	14.4
UA: Industrial output, % yoy	Dec	n.a.	4.0	2.5	0.5	3.7
RU: Industrial output, % yoy	Dec	n.a.	3.4	1.6	-0.5	2.7
UA: C/A balance, USD mn	Q3	n.a.	-800	-800	-1700	-1685
Tuesday 24 January						
TR: Key rate, %	Jan	8.50	9.00	8.50	8.00	8.00
HU: Key rate, %	Jan	0.90	0.90	0.90	0.90	0.90
Wednesday 25 January						
PL: Unemployment rate, % yoy	Dec	8.3	8.4	8.3	8.3	8.2
RU: Retail sales, % yoy	Dec	n.a.	-2.5	-3.6	-8.3	-4.1
RU: Unemployment rate, % yoy	Dec	n.a.	5.6	5.5	5.2	5.4
RU: Real wages, % yoy	Dec	n.a.	3.1	1.5	0.5	1.7
Thursday 26 January						
UA: Key rate, %	Jan	14.00	14.00	14.00	13.00	14.00

Source: Bloomberg, RBI/Raiffeisen RESEARCH

Albania (AL) – In the third quarter of 2016, the Albanian economy grew by 3.08% yoy, however, for the first three quarters the GDP growth is estimated at around 3.3% in line with our expectations for a growth of 3.3-3.5%. The annual economic growth was supported mainly by services, construction and financial activity. Agriculture returned to positive growth (1.6% yoy) while the industry continued to suffer mostly from the extracting industry (-19.6% yoy). Household final consumption that makes the main part of the expenses in the economy marked a modest growth of 1.65%. The major growth was noticed in gross fixed capital formation (by 11. 9% yoy) and exports of goods and services (by 19.1% yoy). Investments in large projects in energy and an improvement of the private consumption are expected to support the growth in the last quarter of 2016. In 2017 a stronger growth at around 4.0% is expected as implementation of the reforms should improve the business climate, increase investments especially in energy and tourism sectors and raise employment.

Financial analyst: Valbona Gjeka (+355 42 381 000 2714), Raiffeisen Bank Sh.a., Tirana

Bulgaria (BG) – The fifth democratically elected president of Bulgaria, Rumen Radev, was sworn into Parliament on 19 January 2017. In his first keynote speech to the lawmakers he set judicial reform as a top priority. Moreover, Radev criticised the reform of the two most important social systems (health and education) as unfair. The president paid serious attention to the referendum held in November 2016 on electoral rules, saying it showed that Bulgarians want more real personalities in Parliament. However, the reform of the Electoral Code should be such that it does not create more problems than it intends to solve. Radev confirmed to Parliament the Euro-Atlantic choice of the country, despite his contradictory statements during the election campaign. He stated that Bulgarian foreign policy should be formulated in the country and asserted internationally, not vice versa. Among the core problems facing society, Radev cited the demographic crisis, low turnout, erosion of democracy, and the emergence of xenomaniac political formations. After the inauguration on 23 January, Radev is expected to dissolve the parliament, appoint a caretaker government, and schedule early parliamentary elections.

Financial analyst: Emil S. Kalchev (+359 2 91985 426), Raiffeisenbank (Bulgaria) EAD, Sofia

Croatia (HR) – As we expected, the latest CPI release in December brought the first positive annual change in the last 20 months (+0.2% yoy). The positive increase (the highest since November 2014) was largely driven by the recent oil price recovery on the world's commodity market. However, in 2016 the CPI recorded an average annual drop (by 1.1%) for the third year in a row. As Q4 2016 data showed that deflation has vanished, the year ahead is thus expected to see a return to modest but positive inflation rates. Such developments could mitigate further real growth of wages (the preliminary results for November are set to be released next Monday). On the other hand, the new tax reform recently adopted is expected to alleviate the tax burden, thus making a positive contribution to real wages and disposable income in 2017. Next week's main highlight, however, will be the unemployment rate for December. As the most recent figures confirmed an increase of people unemployed on a monthly basis (+1.9% mom) we anticipate the registered unemployment rate to increase to 14.7% in December. Although not only a reflection of positive trends in the labour market, the registered unemployment rate for 2016 as a whole is estimated to decrease to 15% (-2pp yoy).

Financial analyst: Tomislava Ujevic (+385 1 6174 606), Raiffeisenbank Austria d.d., Zagreb

Czech Republic (CZ) – After the statistics released last week showed that the Czech CPI inflation has reached the 2 % target of the Czech National Bank, the speculation pressures on abandoning the FX cap increased. The CPI inflation development and its outlook play a crucial role for the CNB decision making about the CZKexit. Given the "hard commitment", the CNB is "forced" to stay in the current FX regime until the end of March 2017. And unless some unexpected increase in CPI inflation happens (e.g. above 3%), it is very unlikely that the CNB will break that commitment and risk to lose its credibility. The CNB board members continue to repeat that the most likely date for CZKExit is mid-2017. We stick to our forecast that CNB will exit from the current regime in the second half of 2017, however CPI inflation for January (to be published on 10th February) will play a key role.

Financial analyst: Monika Junicke (+420 234 40 1070), Raiffeisenbank a.s., Prague

Hungary (HU) – Without any relevant data releases in Hungary throughout the week, investors are already focusing on next week's rate-setting meeting, though conditions are not expected to change now. The central bank again pledged to maintain an ultra-easy policy, saying that Hungary will probably be the last to start tightening under reflation pressure. For us this means that even if there is no more room for a further drop in policy and market rates, normalisation will not begin earlier than in the case of external cycles (ECB and CEE peers), and this is completely in line with the bank's earlier communication that considered gradual independence from external monetary policy cycles as an important goal beyond price stability and decreasing external vulnerability. In the meantime, interbank rates declined further during the week, with the three-month BUBOR down 1bp to 0.29%, while the yield curve steepened as the longer-end underperformed the shorter-end. The 5y CDS fell by 3bp to 113bp, HUF swaps jumped a little. The EUR/HUF trended upwards again as the central bank's discount FX swap tender added another HUF 250 bn to the interbank market. We continue to expect a weaker HUF and once again lower yields.

Financial analyst: Gergely Pálffy (+36 1 484 43 13), Raiffeisen Bank Zrt., Budapest

Poland (PL) – Core inflation, i.e. excluding food and fuel prices, amounted to 0.0% yoy (increase in monthly basis by 0.1pp). This reading confirmed our expectations that the CPI acceleration is mainly due to external factors and should have no impact on MPC decisions.
There was a surprisingly good data flow from the real economy this month. The prelude to good results for industrial output was published at the beginning of January, PMI, which noted its best result for the last 18 months. However, taking into consideration the high base from last year and the negative calendar effect, slightly lower dynamics were expected. In general, industrial output amounted to 2.3% yoy (consensus was 1.8%). The surprisingly good reading for the construction sector (indicating that the slump in construction eased to 8%) allows us to conclude that the slowdown visible in H2 2016 was temporary. Retail sales growth remained above 6%, supported by a favourable calendar (5 weekends, the Christmas season). The high retail sales dynamics since November confirm our beliefs that the impact of the fiscal transfers from the "Rodzina 500+" programme on private consumption has so far been limited, and only began to fully support GDP growth at the turn of the year. The PPI increased to 3% yoy, indicating a further increase in inflation pressure. Such strong growth is mainly due to the rises in commodity prices – the whole mining sector recorded growth of 24.1% yoy. The continuation of PPI growth confirms the similar trend in CPI inflation. This improvement of the economic indices indicates that the GDP slowdown may already be behind us. The coming year should see an acceleration of GDP, which may support market expectations regarding interest hikes. Although we do not expect the MPC to raise interest rates in 2017, this may have an effect on the PLN bond market, weakening the resilience to withstand the expected rise in core market yields (esp. USTs).

Financial analyst: Aleksandra Pikała (+48 22 585 2000), Raiffeisen Polbank, Warsaw

Romania (RO) – The inflation rate stood at 0.2% mom and -0.5% yoy in December, close to our expectations (0.3% mom and -0.5% yoy). To a large extent, the consumer prices' advance recorded in December was driven by the increase in fuels' price (1.6% mom). However, underlying inflationary pressures remained contained at end-2016. The annual dynamics of the CORE3 inflation measure (CPI excluding administrated prices, volatile prices of foods and fuels, and prices for tobacco and alcohol) stood at 0.3% in December, declining compared to previous months as it fluctuated around 0.5% during July-November. We expect the inflation rate to return to positive territory in Q1 and subsequently to increase towards 2.0% yoy at end-2017. This year the statistical base effect related to the VAT rate cut and energy price declines in 2016 would fade out, but also underlying inflationary pressures should strengthen.
The public budget plan for 2017 should remain in limelight in the upcoming week, as a draft might be released. We recall that the several fiscal easing measures enforced recently/due to be enforced might result in a deficit exceeding 3% of GDP considerably if corrective measures are not taken. Also, the public budget execution for 2016 would be released after 25 January. According to comments made by the former Finance Minister, the public budget balance stood at -2.6% of GDP in 2016.

Financial analyst: Silvia Maria Rosca (+40 799 718 083), Raiffeisen BANK S.A., Bucharest

Russia (RU) – According to MinFin calculations, Russia's extra budget revenues from oil sales may reach RUB 1.4 tn (USD 23.6 bn) in 2017, if the oil price is USD 55/bbl, and RUB 1 tn (USD 16.8 bn) if the oil price is USD 50. The amount of non-oil & gas revenues is estimated at only RUB 84 bn. Minister Siluanov added that the government will not use additional revenues to finance new budget spending. The extra revenues will be used to reduce the utilisation of the Reserve Fund and the National Wealth Fund to finance spending this year. We believe the situation described by the MinFin is a bit more conservative. On the one hand, the amount of non-oil & gas revenues seems quite low for us – we estimate extra revenues will total RUB 280 bn. On the other hand, the MinFin's ability to conduct the rather conservative expenditure plan is quite limited – the government's military and social block will demand extra spending.

Financial analyst: Stanislav Murashov (+7 495 221 9845), AO Raiffeisenbank, Moscow

Serbia (RS) – The yield increases in 2017 have not been a big surprise as the market was already bidding with higher yields from September 2016, amidst the withdrawal by non-residents (largely US funds) throughout 2016. Yet the ample budget surplus empowered debt managers to reduce the MinFin T-bill supply, while only accepting bids with lower yields which resulted in a more robust yield correction at the beginning of 2017. It is difficult to assess to what extent the correction reflects the Fed's key rate hike and to what extent local factors played a role, like the expected reflation and the government's augmented gross financing needs (EUR 7 bn), planned to be funded from greater local debt issuances (+EUR 1 bn). This will be seen in the period ahead. Now, the Finance Ministry is mulling over a new Eurobond placement (USD 1 bn), and they might think of increasing the value if the pricing on the euro market would be more favourable in comparison with the local market. The next Ministry of Finance T-bill auction (7y, RSD 15 bn) planned for next week (26 January) could tell us more. The last 7y auction was held in October 2016 attracting sufficient interest (b/c 1.32) as the yield fell to 5.64% (-34bp). Traditionally the EUR/RSD weakening is seasonally impacted by extended holidays in January and the customary lower capacity utilisation.

Financial analyst: Ljiljana Grubic (+381 11 220 71 78), Raiffeisenbank a.d., Belgrade

Monetary policy and money markets overview

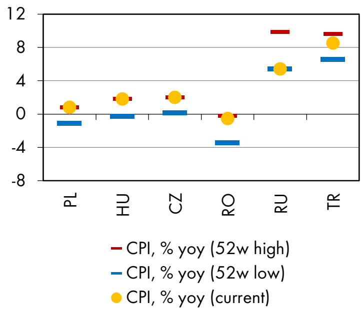
CEE key interest and money markets outlook

Poland	current*	Mar-17	Jun-17	Sep-17	5y high	5y low
Key interest rate	1.50	1.50	1.50	1.50	4.75	1.50
3m money market rate	1.73	1.73	1.73	1.73	5.14	1.65
Hungary						
Key interest rate	0.90	0.90	0.90	0.90	7.00	0.90
3m money market rate	0.29	0.30	0.30	0.40	7.65	0.29
Czech Republic						
Key interest rate	0.05	0.05	0.05	0.05	0.75	0.05
3m money market rate	0.28	0.30	0.30	0.30	1.25	0.00
Romania						
Key interest rate	1.75	1.75	1.75	1.75	5.75	1.75
3m money market rate	0.82	0.85	1.00	1.15	6.30	0.68
Russia						
Key interest rate	10.00	9.50	9.00	8.50	17.00	5.25
3m money market rate	10.50	10.10	9.60	9.10	29.93	6.65
Serbia						
Key interest rate	4.00	4.00	4.00	4.00	11.75	4.00
3m money market rate	3.46	3.60	3.60	3.60	13.13	3.26
Turkey						
Key interest rate	8.00	8.50	8.50	8.50	10.00	4.50
3m money market rate	10.97	10.30	10.50	10.20	12.44	4.85

Benchmark key rates	current	Mar-17	Jun-17	Sep-17	5y high	5y low
ECB key interest rate	0.00	0.00	0.00	0.00	1.00	0.00
Fed key interest rate	0.75	0.75	1.00	1.00	0.75	0.25

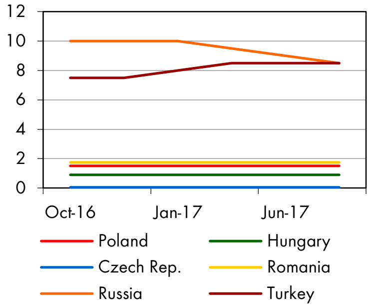
Source: Bloomberg, RBI/Raiffeisen RESEARCH
** Bid rates (for Hungary ask rates) as of 19 January 2017, 11:59 p.m. CET*

Inflation snapshot



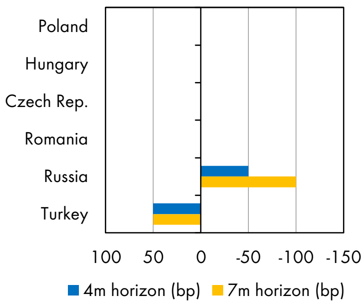
Source: Bloomberg, RBI/Raiffeisen RESEARCH

Key rate trends (%)



Source: Bloomberg, RBI/Raiffeisen RESEARCH

Key rate forecast (chg., bp)



Source: Bloomberg, RBI/Raiffeisen RESEARCH

Central bank watch

Poland (NBP)	NBP sees no reason to hike rates this year according to January's MPC statement. This is in line with our long-held view that the policy rate might remain flat at least in 2017. Our view is additionally supported by the prolongation of ECB QE.
Hungary (MNB)	MNB continues to keep monetary conditions ultra-loose via liquidity provisioning like capping 3m deposit volume further and providing FX swap operations. 3m deposit as well o/n and 1w lending rates should remain all at current 0.90% throughout 2017. Latest MNB statements reinforce aim to keep rates low as long as possible.
Czech Republic (CNB)	Excessive "CZKexit" positioning was somewhat scaled-back recently on CNB statements pointing to possibly later exit and talking down CZK appreciation potential. With CPI inflation expected to hover only around the mid-point target in 2017, we expect that "CZKexit" should come not earlier than H2 after inflation dynamics become more forceful and ECB QE is coming to an end.
Romania (BNR)	Excess liquidity remains high and central bank did not tighten its grip on liquidity and set an end to procyclical policies. We expect BNR to remain defensive in the short term, especially in light of ongoing fiscal uncertainties, but verbal interventions might point to tightening stance in 2017.
Serbia (NBS)	NBS lowered inflation target range by 1pp to 3% +/- 1.5 pp last year and has likely ended MP easing due expected acceleration in CPI inflation in the next few months. External risks in terms of Fed uncertainty, in light of the high share of USD-based investors in RSD bonds, might have eased somewhat.
Russia (CBR)	In case of a rule-based FX purchase intervention regime that was flagged this week in order to hinder RUB from further appreciation, the CBR might start resuming rate cuts already in Q1 (in line with our call). Policy makers get increasingly confident in terms sustainability of current oil price levels. On a final note, due to transition to structural liquidity surplus, CBR conducts 1w deposit auctions since this year.
Turkey (TCMB)	TCMB has the chance to arrange for an adverse rating eventuality (Fitch review due on Friday) when it meets next Wednesday. In our view, only conventional rate hikes should have the potential to stabilise TRY markets in a sustainable way. Several backdoor policy measures during the outgoing week (e.g. cancelling 1w repo auction, FX swaps etc.) are confusing and not able to restore confidence.

Source: RBI/Raiffeisen RESEARCH

Rate setting meetings

	Jan	Feb
Poland (NBP)	11	8
Hungary (MNB)	24	28
Czech Republic (CNB)	/	2
Romania (BNR)	6	7
Serbia (NBS)	12	14
Russia (CBR)	/	3
Turkey (TCMB)	24	n.a.

Source: National Central Banks, RBI/Raiffeisen RESEARCH

Raiffeisen RESEARCH

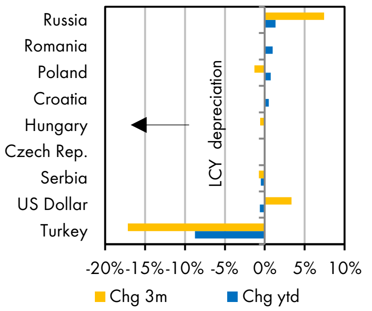
Foreign exchange market overview

FX forecasts

EUR vs	current*	Mar-17	Jun-17	Sep-17	5y high	5y low	Comment
PLN	4.371	4.40	4.45	4.40	4.40	4.08	EUR/PLN stable below 4.40 since the beginning of the year, but renewed pressure could flare up due to political uncertainty
HUF	308.8	310	315	310	316	291	Even though EUR/HUF broke out of its previous trading range we would expect it to return to the 310-315 range in the near-term
CZK	27.02	27.0	27.0	27.0	27.7	25.1	CNB wording did not change regarding abandoning of FX regime; inflation expectations key; CNB board also discussing negative rates
RON	4.497	4.45	4.50	4.45	4.54	4.45	EUR/RON exchange rate to be quite stable during 2017, but isolated episodes of increased volatility should not be totally excluded
HRK	7.520	7.55	7.47	7.50	7.66	7.55	A healthy C/A surplus, the better-than-expected fiscal adjustment, FCY inflows (investments), banks' positive net external balances and a slightly higher demand for pure HRK loans are still supportive for the HRK
RSD	124.0	123	123	124	125	112	Key rate kept stable, contributing to EUR/RSD stability
RUB	63.53	65.5	63.2	61.2	79.3	40.3	see USD/RUB below
UAH	29.10	29.1	27.5	27.5	29.4	10.6	see USD/UAH below
BYN	2.064	2.24	2.30	2.35	2.47	1.13	see USD/BYN below
TRY	4.066	3.95	3.88	3.77	3.89	2.35	see USD/TRY below
USD	1.061	1.04	1.02	1.02	1.38	1.05	Expectation on further US Fed rate hikes to support USD against euro
USD vs	**current***	**Mar-17**	**Jun-17**	**Sep-17**	**5y high**	**5y low**	
RUB	59.86	63.0	62.0	60.0	73.0	30.5	Rouble supported by oil price increase following OPEC (and non-OPEC) production cut decision, but additional short-term appreciation potential below USD/RUB 60 limited in our view
UAH	27.42	28.0	27.0	27.0	28.0	8.05	USD/UAH calming after short-lived spike in late 2016; central bank preventing stronger USD/UAH movement via administrative measures, overall depreciation trend seen for coming months
BYN	1.945	2.15	2.25	2.30	2.35	0.86	From July 2016 the old Belarusian rouble (BYR) was replaced by a new BYN at a ratio of 10,000:1; it is the third denomination of the local currency after 1994 and 2000; overall depreciation trend in BYN expected to continue on weak fundamentals
TRY	3.832	3.80	3.80	3.70	3.70	1.78	USD/TRY remaining at historic high levels; political uncertainty, weakening economic conditions, rising oil prices and strong USD weigh on TRY; a rate hike could stabilise the TRY market

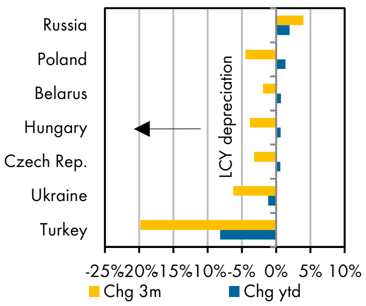
** as of 19 January 2017, 11:59 p.m. CET*
Source: Bloomberg, RBI/Raiffeisen RESEARCH

Change of LCY value to EUR (%)



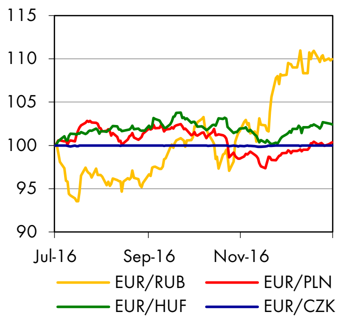
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

Change of LCY value to USD (%)



Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

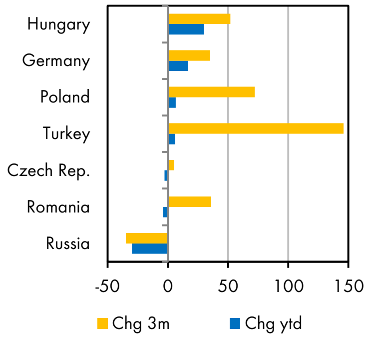
Exchange rate comparison



Indexed 19 Jul-16 = 100
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

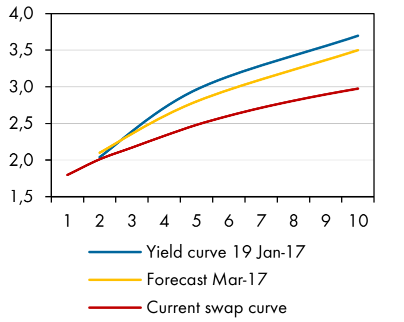
Local currency bond market overview and forecasts

Change of LCY 10y bond yields (bp)



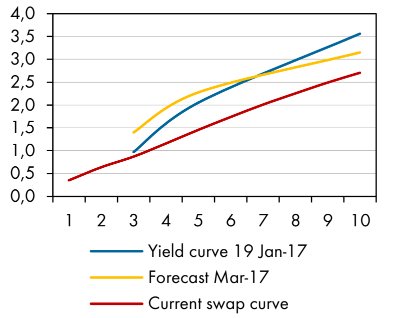
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

PLN yield curve



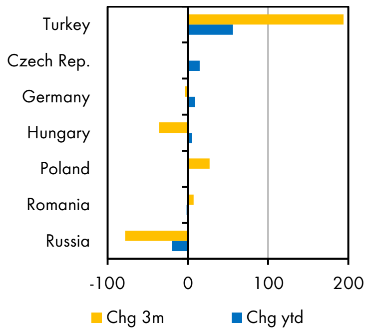
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

HUF yield curve



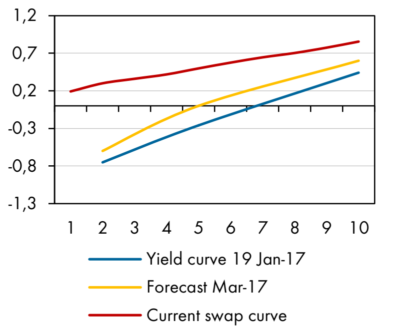
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

Change of LCY 2y bond yields (bp)



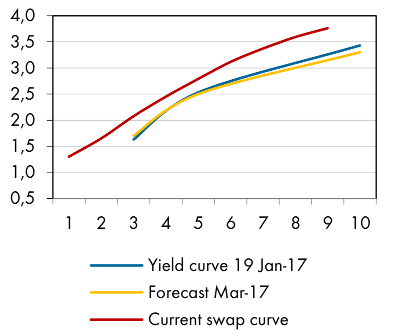
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

CZK yield curve



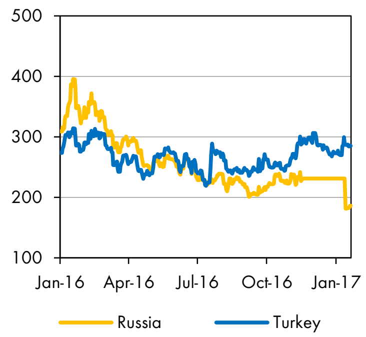
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

RON yield curve



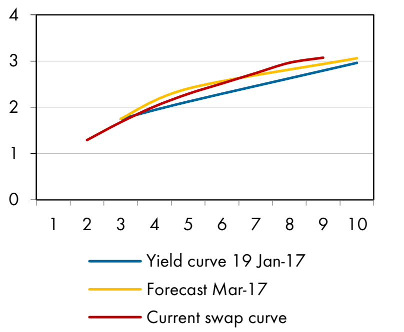
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

5y USD CDS spreads



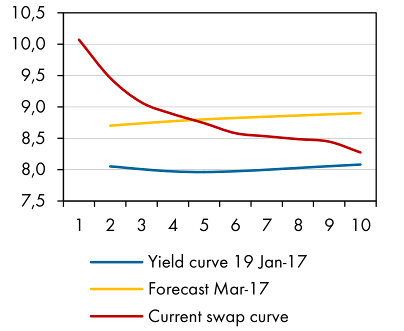
Turkey 5y high 327.1, 5y low 111.7;
Russia 5y high 628.7, 5y low 119.4
Source: Bloomberg, RBI/Raiffeisen RESEARCH

HRK yield curve



Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

RUB yield curve



Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

Yield forecasts

2y T-bond yields (%)	current*	Mar-17	Jun-17	Sep-17	5y high	5y low	10y T-bond yields (%)	current*	Mar-17	Jun-17	Sep-17	5y high	5y low
Poland	2.04	2.1	2.2	2.2	3.1	1.6	Poland	3.70	3.5	3.6	3.7	4.3	2.5
Hungary **	0.97	1.4	1.5	1.6	5.7	0.9	Hungary	3.56	3.2	3.2	3.3	6.2	3.3
Czech Republic	-0.75	-0.6	-0.7	-0.6	0.5	-0.9	Czech Republic	0.44	0.6	0.6	0.5	2.5	0.5
Romania	1.63	1.7	1.8	1.9	7.1	1.1	Romania	3.43	3.3	3.4	3.5	6.9	3.5
Croatia	1.75	1.8	1.8	1.9	6.9	0.9	Croatia	2.96	3.1	3.1	3.2	5.2	3.1
Russia	8.05	8.7	8.7	8.5	15.8	6.2	Russia	8.08	8.9	8.8	8.7	14.1	6.9
Turkey	11.26	11.0	11.5	11.0	11.0	6.1	Turkey	11.15	11.6	11.8	11.6	11.5	6.6
Germany	-0.70	-0.7	-0.7	-0.7	0.2	-0.8	Germany	0.38	0.5	0.5	0.5	1.9	0.1
USA	1.23	1.3	1.4	1.4	1.5	0.2	USA	2.46	2.7	2.5	2.7	3.0	1.8

** Bid yields as of 19 January 2017, 11:59 p.m. CET; ** 3y yield*
Source: Bloomberg, RBI/Raiffeisen RESEARCH

Local currency bond market overview

CEE local currency bond market snapshot

	Maturity	Coupon (%)	Bid Price	YTM (%)	Spread to Bunds (bp)	MDur.	Comment
Poland							
PLN 2y Gov. Bond	25/10/2018	0.00	96.60	2.00	268	1.8	Recent political turmoil hinders POLGB market to gain, but elevated yield levels keep POLGBs mildly attractive in our view. Moreover, most of the repricing of US treasuries might be concluded for now and local rate hike expectations should ease further. We keep PL on tactical Buy.
PLN 5y Gov. Bond	25/10/2021	5.75	112.34	2.93	336	4.3	
PLN 10y Gov. Bond	25/07/2026	2.50	90.34	3.72	332	8.4	
Hungary							
HUF 3y Gov. Bond	30/10/2019	2.00	102.91	0.93	163	2.7	In line with our call, HGBs witnessed stronger recovery post-Trump in contrast to e.g. PL. The bond-market-supporting CB measures and the state-led improvement of growth prospects are helping and should keep the appeal of HUF government assets alive.
HUF 5y Gov. Bond	27/10/2021	2.50	102.24	2.00	243	4.5	
HUF 10y Gov. Bond	27/10/2027	3.00	95.40	3.52	312	9.3	
Czech Republic							
CZK 2y Gov. Bond	11/04/2019	5.00	112.54	-0.61	8	2.1	Long-end CZGB yield spread over Bunds went to negative most recently due to hefty speculative positioning for an earlier CZKexit after the surge in Dec. headline CPI. As we expect EUR/CZK cap policy exit only as early as H2, we bet on a renewed disappointment for speculators as witnessed several times in the past.
CZK 5y Gov. Bond	29/09/2021	3.85	119.48	-0.28	16	4.4	
CZK 10y Gov. Bond	26/06/2026	1.00	105.32	0.42	2	9.0	
Croatia							
HRK 2y Gov. Bond	10/07/2018	5.25	105.91	1.16	159	1.4	Indirect support from ECB QE prolongation should help HRK bonds in the new year.
HRK 10y Gov. Bond	14/12/2026	4.25	111.03	2.95	255	8.3	
Romania							
RON 2y Gov. Bond	17/01/2018	3.25	102.01	1.18	188	1.0	Fiscal risks in post-election period are set to continue weighing on longer-end ROMGBs with ECB support and FED risks currently balancing each other.
RON 5y Gov. Bond	22/03/2021	3.25	102.64	2.58	301	3.9	
RON 10y Gov. Bond	24/02/2025	4.75	108.66	3.51	311	6.7	
Russia							
RUB 2y Gov. Bond	27/02/2019	7.50	99.40	7.96	865	1.9	OFZs already undershoot our end-March targets due to favorable oil/RUB and Trump-optimism. Expected CBR RUB weakening interventions coupled with deteriorating supply-demand dynamics amidst tight valuations set the stage for a moderate s/t correction. However, l/t outlook still favorable mainly due to resumed rate cuts.
RUB 5y Gov. Bond	18/08/2021	7.50	98.90	7.94	837	3.9	
RUB 10y Gov. Bond	03/02/2027	8.15	101.55	8.08	768	6.7	
Turkey							
TRY 2y Gov. Bond	11/07/2018	8.70	96.20	11.15	1184	1.4	Unstable lira continues ousting foreign investors from TURKGBs (almost TRY 1/2 bn outflows in week ending 13 Jan.). This is set to continue if not for orthodox TCMB policy response next Wednesday.
TRY 5y Gov. Bond	22/09/2021	9.20	92.55	11.28	1171	3.9	
TRY 10y Gov. Bond	11/02/2026	10.60	97.00	11.13	1073	5.6	

Data as of 20 January 2017, 11:44 a.m. CET; Source: Bloomberg, RBI/Raiffeisen RESEARCH

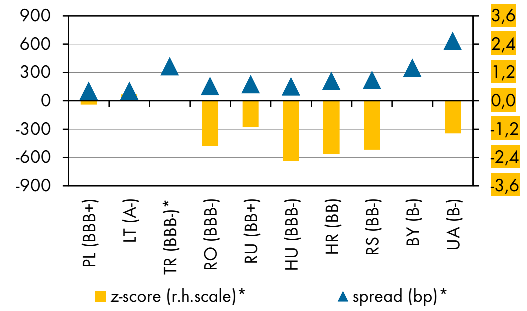
Bond auctions

		ISIN	Coupon	Maturity	Volume
23 January 2017					
RO	6m T-bills	RO1717CTN023	zero	02.08.2017	RON 500 mn
PL	5y T-bonds	PL0000109492	2.25%	n.a.	max. PLN 6 mn
PL	9y T-bonds	PL0000108817	zero	n.a.	max. PLN 6 mn
PL	10y T-bonds	PL0000109427	2.5%	n.a.	max. PLN 6 mn
BG	10y T-bonds	n.a.	n.a.	n.a.	n.a.
PL	2y T-bonds	PL0000109633	zero	25.04.2019	max. PLN 6 mn
24 January 2017					
UA	T-bonds	n.a.	n.a.	n.a.	n.a.
25 January 2017					
CZ	1y T-bonds	CZ0001004709	0.00%	22.01.2018	max. CZK 8bn
CZ	11y T-bonds	CZ0001004105	FRN	19.11.2027	max. CZK 4bn
CZ	9.5y T-bonds	CZ0001004469	1.00%	26.06.2026	max. CZK 4bn
RU	T-bonds	n.a.	n.a.	n.a.	n.a.
26 January 2017					
RO	10.5y T-bonds	RO1227DBN011	5.80%	26.07.2027	RON 300 mn

Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

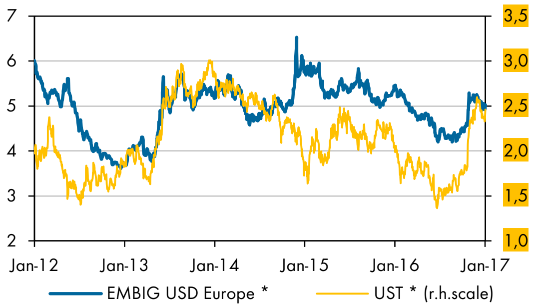
Eurobond market overview

CEE USD EMBIG spread valuation*



** z-score – EMBIG USD country spread deviation from mean normalised by 1 standard deviation, score at or below minus 1 = expensive, at or above 1 = cheap*
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

CEE EMBIG USD vs. UST YTM*



** YTM – yield to maturity EMBI Global USD, UST – 10 year US Treasury note*
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

	Market Price					YTM mid.	Spread	Mdur.	ISIN
Issuer/rate/due	**Bid**	**Ask**	**w/w %**	**5y max**	**5y min**	**% p. a.**	**Bmk, bp**	**years**	**–**
EUR									
BGARIA 4 1/4 07/09/17	101.9	102.3	-0.20	111.8	100.3	-0.35	24	0.5	XS0802005289
CROATI 5 7/8 07/09/18	108.3	108.6	-0.02	112.1	91.7	0.05	71	1.4	XS0645940288
REPHUN 3 7/8 02/24/20	111.1	111.6	-0.11	113.1	73.2	0.17	84	2.9	XS0212993678
REPHUN 4 3/8 07/04/17	102.0	102.3	-0.15	108.0	78.7	-0.48	11	0.4	XS0284810719
REPHUN 5 3/4 06/11/18	107.8	108.3	-0.18	115.1	80.6	-0.09	56	1.3	XS0369470397
REPHUN 6 01/11/19	111.7	112.0	-0.18	118.4	86.4	-0.02	69	1.9	XS0625388136
LITHUN 4.85 02/07/18	105.2	105.5	-0.14	114.3	98.5	-0.30	30	1.0	XS0327304001
POLAND 5 5/8 06/20/18	108.2	108.5	-0.05	122.6	102.1	-0.30	34	1.4	XS0371500611
POLAND 1 5/8 01/15/19	103.1	103.8	-0.16	105.5	98.0	-0.11	60	2.0	XS0874841066
POLAND 3 3/4 01/19/23	118.3	118.8	-0.21	125.5	99.9	0.60	87	5.5	XS0794399674
POLAND 3 3/8 07/09/24	117.0	117.6	0.16	125.6	99.6	0.96	101	6.6	XS0841073793
ROMANI 4 7/8 11/07/19	113.1	113.5	-0.18	117.8	99.3	0.09	80	2.7	XS0852474336
TURKEY 5 7/8 04/02/19	108.9	109.4	0.14	118.9	101.1	1.59	230	2.0	XS0285127329
TURKEY 5 1/8 05/18/20	107.7	108.1	0.04	115.9	95.2	2.61	325	3.0	XS0503454166
USD									
BELRUS 8.95 01/26/18	102.9	103.7	-0.33	111.2	78.0	5.53	470	0.9	XS0583616239
CROATI 6 3/8 03/24/21	109.5	110.0	-0.72	117.8	90.9	3.82	203	3.6	XS0607904264
CROATI 5 1/2 04/04/23	106.4	107.0	-1.05	111.7	94.4	4.25	209	5.2	XS0908769887
REPHUN 5 3/8 02/21/23	109.5	109.9	-0.99	115.4	93.1	3.58	143	5.1	US445545AH91
REPHUN 7 5/8 03/29/41	141.4	142.5	-1.93	157.5	87.4	4.70	182	12.8	US445545AF36
LITHUN 7 3/8 02/11/20	114.0	114.5	-0.23	130.7	107.6	2.50	97	2.7	XS0485991417
LITHUN 6 5/8 02/01/22	116.4	117.0	-0.40	128.6	101.0	3.01	103	4.2	XS0739988086
LATVIA 2 3/4 01/12/20	101.2	101.7	-0.21	104.5	91.4	2.25	73	2.8	XS0863522149
LATVIA 5 1/4 06/16/21	110.9	111.4	-0.22	117.2	92.4	2.55	71	3.9	XS0638326263
POLAND 6 3/8 07/15/19	110.8	111.0	-0.29	125.9	109.0	1.85	48	2.3	US731011AR30
POLAND 3 03/17/23	98.6	99.0	-0.36	105.1	87.6	3.22	106	5.5	US731011AT95
ROMANI 6 3/4 02/07/22	114.6	114.9	-0.59	124.4	99.2	3.53	155	4.2	US77586TAA43
ROMANI 4 3/8 08/22/23	103.9	104.3	-0.72	111.1	90.8	3.67	144	5.6	US77586TAC09
RUSSIA 4 1/2 04/04/22	103.9	104.4	-0.36	114.7	82.0	3.62	161	4.6	XS0767472458
RUSSIA 7 1/2 03/31/30	120.1	120.6	-0.02	128.6	99.6	2.40	-17	3.8	XS0114288789
RUSSIA 5 5/8 04/04/42	108.6	109.4	-0.61	124.9	76.0	4.99	208	13.7	XS0767473852
SERBIA 5 1/4 11/21/17	102.3	102.7	-0.05	107.1	96.8	2.20	144	0.8	XS0856951263
SERBIA 4 7/8 02/25/20	102.5	103.2	-0.53	105.4	89.6	3.89	234	2.8	XS0893103852
TURKEY 6 1/4 09/26/22	103.7	104.2	0.45	127.0	101.0	5.43	334	4.7	US900123BZ27
TURKEY 6 7/8 03/17/36	101.7	102.2	-0.31	139.6	99.2	6.69	395	10.4	US900123AY60
TURKEY 6 3/4 05/30/40	100.1	100.9	-0.05	139.4	97.3	6.71	384	11.6	US900123BG46
UKRAIN 7 3/4 09/01/19	99.7	100.2	-0.86	102.3	88.0	7.76	635	2.2	XS1303918269
UKRAIN 7 3/4 09/01/23	96.6	97.1	-1.02	99.9	84.6	8.39	615	4.9	XS1303921487
UKRAIN 7 3/4 09/01/27	94.4	94.8	-0.98	98.4	81.2	8.53	604	6.8	XS1303927179

YTM mid - yield to maturity based on mid market price, bmk - benchmark, Mdur - modified duration, ISIN - international security identification number; prices as of 20 Jan 2017, 11:41 AM CET
Source: Bloomberg, RBI/Raiffeisen RESEARCH

Summary: Ratings & macro data

Country ratings: CE, SEE, EE

	S&P			Moody's			Fitch		
	LCY	FCY	Outlook	LCY	FCY	Outlook	LCY	FCY	Outlook
CE									
Poland	A-	BBB+	stable	A2	A2	negative	A	A-	stable
Hungary	BBB-	BBB-	stable	Baa3	Baa3	stable	BBB-	BBB-	stable
Czech Republic	AA	AA-	stable	A1	A1	stable	AA-	A+	stable
Slovakia *	A+	A+	stable	A2	A2	stable	A+	A+	stable
Slovenia *	A	A	positive	Baa3	Baa3	positive	A-	A-	stable
SEE									
Romania	BBB-	BBB-	stable	Baa3	Baa3	positive	BBB	BBB-	stable
Bulgaria	BB+	BB+	stable	Baa2	Baa2	stable	BBB	BBB-	stable
Croatia	BB	BB	stable	Ba2	Ba2	negative	BB+	BB	negative
Serbia	BB-	BB-	positive	B1	B1	positive	BB-	BB-	stable
EE									
Russia	BBB-	BB+	stable	Ba1	Ba1	negative	BBB-	BBB-	stable
Ukraine	B-	B-	stable	Caa3	Caa3	stable	B-	B-	stable
Belarus	B-	B-	stable	Caa1	Caa1	stable	B-	B-	stable
Kazakhstan	BBB-	BBB-	negative	Baa3	Baa3	negative	BBB	BBB	stable
Turkey	BB+	BB	stable	Ba1	Ba1	stable	BBB-	BBB-	negative

** Euro area (Euro currency) members; positive rating/outlook changes (in previous week) in green, negative changes in red*
Source: rating agencies websites

Main macro data & forecasts*

Country	Year*	GDP, % avg. yoy	CPI, % avg. yoy	Unem-ployment, %	Nominal wages, EUR	Fiscal balance, % GDP	Public debt, % GDP	Export **, % GDP	C/A, % GDP	Ext. Debt, % GDP	FXR***% ext. debt	Import cover, months
Croatia	2016	2.7	-1.2	13.6	1030	-2.4	85.3	24.3	3.1	96.5	30.2	8.8
	2017f	2.8	1.3	12.5	1047	-2.9	84.5	24.1	2.5	94.0	30.3	8.8
	2018f	2.8	2.2	11.2	1067	-2.8	82.9	23.8	2.2	91.5	29.8	8.6
Czech Rep.	2016	2.5	0.7	5.6	1020	0.0	39.2	70.0	2.4	73.0	63.2	8.4
	2017f	2.7	2.0	5.3	1073	-0.2	38.2	69.8	1.5	77.1	71.5	10.0
	2018f	2.5	2.0	5.3	1176	0.0	37.0	69.3	1.2	73.9	69.5	9.4
Hungary	2016	2.3	0.3	5.3	847	-1.5	74.1	83.8	3.5	97.8	23.5	3.7
	2017f	3.2	2.5	4.5	937	-2.5	73.4	82.7	3.2	89.0	22.5	3.2
	2018f	3.4	3.0	4.1	1010	-3.0	72.6	82.2	2.9	83.2	21.1	2.8
Poland	2016	2.5	-0.6	9.0	930	-2.5	52.2	41.4	-0.5	74.3	29.1	6.3
	2017f	3.0	1.1	8.3	964	-3.1	53.3	41.6	-0.8	77.2	28.8	6.4
	2018f	2.5	2.0	8.2	1019	-3.4	54.9	n.a.	-1.1	77.5	27.4	n.a.
Romania	2016	4.7	-1.6	6.1	642	-2.5	38.2	30.5	-2.6	54.5	40.5	7.3
	2017f	3.6	1.2	5.8	700	-3.2	39.3	30.8	-3.3	53.1	40.0	6.8
	2018f	3.0	2.4	5.7	732	-3.0	40.2	32.2	-3.5	53.6	38.3	6.2
Russia	2016	-0.5	7.2	6.0	476	-4.4	13.5	23.0	2.1	40.7	80.6	25.6
	2017f	1.0	5.4	6.0	587	-3.3	14.0	24.6	5.2	32.6	86.0	22.4
	2018f	1.5	5.2	6.0	594	-2.4	14.5	23.7	5.7	27.0	98.0	21.3
Ukraine	2016	1.0	13.3	9.0	n.a.	-3.5	77.5	36.3	-3.3	133.4	14.0	5.2
	2017f	2.0	10.7	9.0	n.a.	-4.0	78.4	36.3	-4.7	126.6	14.5	5.0
	2018f	3.0	7.5	8.5	n.a.	-3.0	73.0	35.0	-3.9	119.6	14.6	5.0
Turkey	2016	2.0	7.6	10.0	n.a.	-2.0	32.0	21.7	-5.2	57.5	28.1	6.8
	2017f	2.0	8.0	10.3	n.a.	-2.5	33.0	26.0	-6.3	66.3	25.7	6.0
	2018f	3.5	7.5	10.0	n.a.	-1.8	32.0	n.a.	-4.9	63.5	22.1	n.a.

** only for countries included in CEE Weekly, ** Export of goods only, *** FXR - Foreign exchange reserves*
Source: Thomson Reuters, National Statistics, RBI/Raiffeisen RESEARCH

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Bonds

Distribution of short term recommendations (preceding 3 months prior to this publication)	
Recommendation	Basis: all analysed Government bonds
Buy	23%
Hold	52%
Sell	25%
Not rated	0%

History of short term recommendations (preceding 3 months prior to this publication)

Date	10Y Czech Rep.	2Y Czech. Rep.	BG EUROBOND EUR	BY EUROBOND USD	CZ EUROBOND EUR	HR EUROBOND EUR
15/12/2016	Hold	Hold	|	|	|	|
28/11/2016	|	|	Hold	|	|	Hold
21/10/2016	|	|	|	Sell	|	|
26/09/2016	|	|	Buy	|	|	Buy
23/09/2016	Hold	Hold	|	|	|	|
26/08/2016	|	|	|	|	|	|
25/08/2016	Hold	Hold	|	|	|	|
29/07/2016	Hold	Hold	Hold	|	|	|
27/07/2016	|	|	|	|	|	|
20/06/2016	Hold	Hold	Buy	Hold	Hold	Sell
31/05/2016	Hold	Hold	|	|	|	|
13/05/2016	|	|	Hold	Hold	Hold	Hold
26/04/2016	Hold	Hold	Hold	Hold	Hold	Hold
20/04/2016	|	|	Buy	Hold	Hold	Hold
30/03/2016	|	|	|	Hold	|	|
29/03/2016	|	|	Buy	Hold	Hold	Hold
24/03/2016	Hold	Hold	Hold	Hold	Hold	Hold
17/03/2016	|	|	Hold	|	Hold	Hold
23/02/2016	Buy	Hold	Hold	Hold	Hold	Hold
11/02/2016	Buy	Hold	|	|	|	|
25/01/2016	Buy	Hold	Hold	Hold	Hold	Hold

Date	HR EUROBOND USD	HU EUROBOND EUR	HU EUROBOND USD	KZ EUROBOND USD	LT EUROBOND EUR	LT EUROBOND USD
15/12/2016	Hold	|	|	|	|	Buy
28/11/2016	|	|	|	Buy	|	|
21/10/2016	|	|	|	|	|	|
26/09/2016	Sell	|	|	|	|	|
23/09/2016	|	|	|	|	|	|
26/08/2016	|	|	|	Hold	|	|
25/08/2016	|	|	|	|	|	|
29/07/2016	|	Hold	Hold	Buy	|	|
27/07/2016	|	|	|	|	|	|
20/06/2016	Sell	Buy	Buy	Hold	Hold	Hold
31/05/2016	|	|	|	|	|	|
13/05/2016	Hold	Hold	Hold	Hold	Hold	Hold
26/04/2016	Hold	Hold	Hold	Hold	Hold	Hold
20/04/2016	Hold	Hold	Hold	Buy	Buy	Hold
30/03/2016	|	|	|	|	|	|
29/03/2016	Hold	Hold	Hold	Buy	Buy	Hold
24/03/2016	Hold	Hold	Hold	Buy	Hold	Hold
17/03/2016	Hold	Buy	Buy	Buy	Hold	Hold
23/02/2016	Hold	Buy	Buy	Buy	Hold	Hold
11/02/2016	|	|	|	|	|	|
25/01/2016	Hold	Hold	Hold	Hold	Hold	Hold

Date	MK EUROBOND EUR	PL EUROBOND EUR	PL EUROBOND USD	RO EUROBOND EUR	RO EUROBOND USD	RS EUROBOND USD
15/12/2016	Hold	|	|	Hold	|	|
28/11/2016	|	Hold	|	Buy	|	|
21/10/2016	|	|	|	|	|	|
26/09/2016	|	Buy	|	|	|	Buy
23/09/2016	|	|	|	|	|	|
26/08/2016	|	|	|	|	|	Hold
25/08/2016	|	Hold	Hold	|	|	|
29/07/2016	|	|	|	Hold	Hold	|
27/07/2016	Buy	|	|	|	|	|
20/06/2016	Hold	Sell	Sell	Sell	Sell	Buy
31/05/2016	|	|	|	|	|	|
13/05/2016	Hold	Sell	Sell	Hold	Hold	Buy
26/04/2016	Hold	Sell	Sell	Hold	Hold	Buy
20/04/2016	Hold	Buy	Hold	Hold	Hold	Hold
30/03/2016	|	|	|	|	|	|
29/03/2016	Buy	Buy	Hold	Hold	Hold	Hold
24/03/2016	Buy	Buy	Buy	Hold	Hold	Hold
17/03/2016	Buy	Buy	Buy	Hold	Hold	Hold
23/02/2016	Buy	Buy	Buy	Hold	Hold	Hold
11/02/2016	|	|	|	|	|	|
25/01/2016	Buy	Buy	Buy	Hold	Hold	Sell

Date	RU EUROBOND EUR	RU EUROBOND USD	SI EUROBOND EUR	SI EUROBOND USD	SK EUROBOND EUR
15/12/2016	Hold				
28/11/2016	Sell	Sell		Hold	
21/10/2016					
26/09/2016					
23/09/2016					
26/08/2016	Hold	Hold	Hold		Hold
25/08/2016					
29/07/2016	Buy	Buy			Sell
27/07/2016					
20/06/2016	Hold	Hold	Buy	Buy	Hold
31/05/2016					
13/05/2016	Hold	Hold	Buy	Buy	Hold
26/04/2016	Hold	Hold	Buy		Hold
20/04/2016	Hold	Hold	Buy		Hold
30/03/2016					
29/03/2016	Hold	Hold	Buy		Hold
24/03/2016	Hold	Hold	Buy		Hold
17/03/2016	Hold	Hold	Buy		Hold
23/02/2016	Buy	Buy	Buy		Hold
11/02/2016					
25/01/2016	Buy	Buy	Buy		Hold

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